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# A guide to the Alstom UK Income Replacement Scheme

## A regular income during long-term absence due to sickness or disablement

The Alstom UK Income Replacement Scheme (the 'Alstom UK IRS') provides active members of the Alstom UK Group Personal Pension Plan (the 'Alstom UK GPP') with a level of income in the event of serious sickness or disablement arising from either illness or injury. The Alstom UK IRS is an insured arrangement provided by ALSTOM Transport UK Ltd (the 'Company') and is not part of the Alstom UK GPP. The Company meets the cost by paying premiums to an insurer. Under current legislation, this premium is not treated as taxable for employees. The payment of benefits is conditional on the insurer accepting the claim under the policy. If the insurer does not accept a claim, the Company will not make any payments to the member.

### The main features of the Alstom UK IRS

- You will receive a regular income if the insurer is satisfied that you cannot work due to illness or injury. The payments will start after you have been absent from work for 26 weeks, or after your period of Company sick pay ends, if this is longer.
- The payments will continue for up to two years, but they will end if you leave the Company, return to work or die before the end of the two-year period. If you return to work on lower pay before the end of the two-year period, the payments may continue at a reduced level.
- While you are receiving the payments, they will increase in line with the Retail Prices Index (RPI), subject to a maximum of 5% each year to help protect the payments against inflation.
- While you are receiving the payments, you will continue to be a member of the Alstom UK GPP for pension benefits and the Alstom UK Group Life Assurance Scheme ('the Alstom UK GLAS') for death-in-service benefits.
- If the insurer is satisfied that you are still unable to work when the payments end, a lump sum payment will be made to top up your Individual Account in the Alstom UK GPP.

While the Company is committed to the Alstom UK IRS, it reserves the right to amend or terminate the arrangement and its benefits at any time. Such changes would not affect any individuals who are already receiving benefits.

## The Alstom UK IRS

### Joining

You will normally automatically become a member of the Alstom UK IRS when you join the Alstom UK GPP as an active member.

In limited circumstances, you may need to provide evidence of good health. You will be notified if this affects you and in the first instance this would be a medical questionnaire which you would provide to the insurer. They will then assess and confirm whether they can provide the cover you require under the Alstom UK IRS or whether they need further medical information to make the decision.

**You will not be covered under the Alstom UK IRS if you join the Alstom UK GPP as a flexible active or special active member.**

A flexible active member is someone who:

- has joined the Alstom UK GPP after drawing his or her pension from the Railways Pension Scheme or other such retirement benefits scheme as the Company decides, or
- is a member of the Alstom UK GPP who has drawn his or her benefits and has re-joined the Alstom UK GPP.

If you are a special active member then you will have been informed of this when you joined the Alstom UK GPP.

## Temporary leave of absence

If the Company has granted you temporary leave of absence, your cover under the Alstom UK IRS may be suspended, but this will normally resume when you return to active employment.

## Cessation of membership

Your membership of the Alstom UK IRS will end when you reach age 65 or your State Pension Age if higher, or when you stop contributing to the Alstom UK GPP, whichever is earlier.

## Alstom UK IRS benefits

If you are unable to work due to illness or injury you may be eligible for an income equal to 50% of your Pensionable Earnings under the Alstom UK GPP in the last complete Plan Year. The income, when in payment, will increase in line with RPI, subject to a maximum of 5% each year to help protect the payments against inflation. This benefit will be paid for up to two years.

While you receive this benefit and are not pursuing any other occupation, you are an employee of the Company and your benefit will be paid as if it were earned income. Therefore it will be subject to tax and National Insurance contributions at the appropriate rates.

In addition, your membership of the Alstom UK GPP will continue and the Alstom UK IRS will pay both your and the Company's contributions to the Alstom UK GPP (this excludes any additional unmatched contributions you may be paying). Your membership of the Alstom UK GLAS will also continue for death-in-service benefits.

If, at the end of the two-year period, you are still unable to return to work you may be entitled to an additional benefit. This is a lump sum that will be used to increase the value of your Individual Account in the Alstom UK GPP, which might then be used to provide an early retirement pension.

## Maximum benefits

The maximum benefit payable under the Alstom UK IRS is currently £120,000 a year (including the Company's National Insurance contributions, your matched Alstom UK GPP contributions and those that would normally be paid by the Company). Benefits will also be reduced by the amount of any other income that you are receiving as a result of your employment with Alstom.

Any sickness benefits payable from the State will not affect the level of benefit paid from the Alstom UK IRS. However, if you have a separate individual income replacement or protection policy then the level of benefits payable from the Alstom UK IRS might be reduced.

## Payment of benefits

### When does the benefit start?

- **If your period of Company sick pay is longer than 26 weeks**, the payments will not start until your Company sick pay ends.
- **If your period of Company sick pay is 26 weeks or less**, the payments will not start until you have been away from work for at least 26 weeks.

The Alstom UK IRS provides a benefit after 26 weeks of continuous absence from work or when Company sick pay ends if later (this is called the deferred period). If you are absent for less than the deferred period and return to work, but then have to stop work again as a result of the same illness or disability, two or more periods of absence could be added together to determine when the deferred period has been completed.

### When does the benefit stop?

Your benefits are payable for a maximum of two years. They will stop earlier if:

- you recover and no longer satisfy the insurer's definition of disability
- your service with the Company ends for any reason
- you reach age 65 or State Pension Age, if this is later
- you die.

If you return to your former job with the Company on a part-time basis and receive lower pay, or you take up a new and less well-paid job with the Company, then a reduced benefit may be payable.

In such circumstances, the insurer would determine the amount of the reduced benefit that you are paid.

It may not always be possible or appropriate to keep your job open for you if you are receiving a benefit from the Alstom UK IRS. It will therefore be entirely at the Company's discretion to decide whether you may return to work for the Company if you recover from your condition.

## Claiming benefits

You will normally be asked to complete a claim form during the first half of the deferred period.

As indicated earlier, Alstom UK IRS benefits are only payable if you meet the insurer's definition of disability.

The exact definition is still to be confirmed, but broadly speaking the insurer will pay if in its opinion:

- you are unable to perform the material and substantial duties required of you in your current occupation. 'Material and substantial duties' are the essential activities for which you are employed, that take up a significant proportion of your time, and that cannot be reasonably omitted or modified by you or your employer; and
- there is no reasonable alternative occupation to which you are suited or which you can perform.

The insurer will need to confirm that you qualify for the benefit and will ask your permission to apply for a medical report from your GP or other medical specialist and to see copies of any consultant or specialist reports about you. The insurer may also require you to attend a medical examination at its expense. Your benefits will not start before the insurer has completed this process.

The insurer may also require your condition to be periodically reviewed while you receive your benefit to ensure that you continue to qualify.

## Lump sum benefit

If, at the end of the two-year period, you are still unable to return to work you may be entitled to an additional benefit. This benefit will be paid as a lump sum. It will be added to the value of your Individual Account in the Alstom UK GPP which will then broadly reflect your prospective pensionable service and can be used to buy retirement benefits. You will cease to be a contributing member of the Alstom UK GPP.

The lump sum will be broadly equivalent to the expected amount of your future Alstom UK GPP contributions if you remained in employment until age 65, or your State Pension Age, if later. It will be based on complete years only. The maximum lump sum that may be paid by the insurer is currently £1,000,000. The lump sum would be calculated using:

- the combined rate of member and Company contributions based on your Pensionable Earnings that were made to the Alstom UK GPP in the year up to the 5 April before your active membership of the Alstom UK GPP ended. Please note the amount of ordinary member and Company contributions will each be limited to 8% and 10% respectively of your Pensionable Earnings in the last complete year of Alstom UK GPP membership. This excludes any additional unmatched contributions; and
- your Pensionable Earnings as applied for the purposes of the Alstom UK GPP at the commencement of your absence, increased each year of the two year payment period in line with RPI (subject to a maximum of 5%).

Any lump sum added to the value of your Individual Account in the Alstom UK GPP will be tax-free up to the Annual Allowance, which is £40,000 for the 2015/2016 tax year plus any unused allowances from the three previous tax years. Any lump sum in excess of the Annual Allowance will be subject to tax, although there may be an exemption to this charge in cases of severe ill health. For more up-to-date information on the Annual Allowance, visit the Government website at [www.gov.uk](http://www.gov.uk).

## Further information

If you require any further information then please contact Alstom Employee Services either by e-mail or telephone:

Telephone: **03301 233377**

E-mail: **[aes.hr.uk@alstom.com](mailto:aes.hr.uk@alstom.com)**

## Disclaimer

Please note that any benefits under the Alstom UK IRS are dependent on the insurer of the Alstom UK IRS agreeing to pay those benefits. The insurance cover is therefore subject to the terms and conditions of the insurance policy in place. It is conditional upon you having satisfied the requirements of the insurer, including the provision of any evidence of health that may have been asked of you. This guide and the Alstom UK IRS do not confer any entitlements to any benefits if the insurer does not pay.

This guide is only a general summary of the Alstom UK IRS. The details of the Alstom UK IRS may change and the Company reserves the right to amend or terminate it at any time.

Although we have described how the Alstom UK IRS is intended to work alongside the Alstom UK GPP and the Alstom UK GLAS, this guide and the Alstom UK IRS do not confer any entitlement in relation to the other two arrangements. The Alstom UK GPP and the Alstom UK GLAS are both separate from the Alstom UK IRS and are each governed differently under their own separate rules.

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